

LUMP-SUM DEATH BENEFIT

A.C.A. § 24-7-720

DEFINITIONS

1. **Active member** is any member rendering service to an ATRS participating employer.
2. **Actual service** is service credit accrued by a member for service to an ATRS covered employer, excluding purchased, free, or reciprocal service with another Arkansas public retirement plan.
3. **Lump-sum beneficiary** means the person(s) or entity(s) designated in writing by the member to receive payment of the lump-sum death benefit under A.C.A. § 24-7-720.
4. **Retired member** is a member receiving a retirement annuity from the System.

REGULATIONS

1. Lump-sum Death Benefit Paid on or before July 1, 2007 (Act 296 of 2007)

Before July 1, 2007, upon the death of an active or retired member with five (5) or more years of actual service, the System shall pay a benefit in the amount of \$10,000 for contributory members, \$6,667 for noncontributory members, or a prorated amount at a ratio of 3:2 based upon the member's contributory and noncontributory service credit. The payment will be paid as a lump sum to the beneficiary designated by the member. If the member failed to designate a beneficiary or a designated beneficiary did not survive, the lump-sum benefit will be paid to the following persons in statutory succession: spouse, then children, then parents, then the member's estate.

2. Lump-sum Death Benefit Paid after July 1, 2007 (Acts 1022 and 296 of 2007)

On or after July 1, 2007, upon the death of an active or retired member with ten (10) or more years of actual service, the System shall pay a benefit in the amount of \$10,000 for contributory members, \$6,667 for noncontributory members or a prorated amount at a ratio of 3:2 based upon the member's contributory and noncontributory service credit. The benefit will be paid as a lump sum to the beneficiary designated by the member. If the member failed to designate a beneficiary or a designated beneficiary did not survive, the lump-sum benefit will be paid the member's estate.

3. Lump-sum Death Benefit Paid on or after July 1, 2009 (Act 1323 of 2009)

On or after July 1, 2009, upon the death of an active or retired member with 10 or more years of actual service, the System shall pay a benefit in the amount of \$10,000 for contributory members, \$6,667 for noncontributory members, or a prorated amount at a ratio of 3:2 based upon the member's contributory and noncontributory service credit. The benefit will be paid as a lump sum to the beneficiary designated by the member. If the member failed to designate a beneficiary or a beneficiary did not survive, then the benefit will be paid to the member's estate.

To effectuate the legislative intent of Act 1323 of 2009, all lump-sum death benefit distributions made after June 30, 2009, shall be tax exempt, and no federal or state income tax shall be withheld the System. After June 30, 2009, the lump-sum death benefit will not be eligible for a direct rollover.

4. Lump-sum Death Benefit Payable on or after July 1, 2009, for Retired Members (Act 1323 of 2009)

On or after July 1, 2009, upon the death of a retired member with five (5) or more years of actual service, the System shall pay a benefit in the amount of \$10,000 for contributory members, \$6,667 for noncontributory members, or a prorated amount at a ratio of 3:2 based upon the member's contributory and noncontributory service *if the member retired on or before July 1, 2007*. The benefit will be paid as a lump sum to the beneficiary designated by the member. If the member failed to designate a beneficiary or no designated beneficiary survives, then the benefit will be paid to the member's estate.

If a retired member died between July 1, 2007, and July 1, 2009, and was eligible for the lump-sum benefit under Section 4, with more than five (5) but less than ten (10) years of actual service at his or her death, the System will notify the beneficiary(s) of eligibility at the last known address. If the beneficiary(s) fails to make application for the lump-sum benefit after written notice is provided, ATRS is not obligated to search for the beneficiary(s). ATRS will distribute the lump sum upon receipt of a valid claim by the beneficiary under A.C.A. § 24-7-734.

RULES

1. The amount of the lump-sum death benefit may be set pursuant to the rules and regulations adopted by the Board of Trustees in an amount *up to* \$10,000 per member. The Board of Trustees may adjust the amount of the lump-sum benefit each year.

2. The Board of Trustees may, as actuarially appropriate, prorate the amount of the lump-sum benefit based on the ratio of the member's contributory and noncontributory service credit.
3. A member must be classified as either *active* or *retired* at the time of his or her death to qualify for the lump-sum death benefit. Inactive members shall not be entitled to a lump-sum death benefit.
4. A member must have accrued the required amount of actual service at the time of his or her death to qualify for the lump-sum death benefit.
5. A member may nominate any natural person(s) or duly formed legal entity as his or her lump-sum beneficiary including a corporation, trust, partnership, or other recognized legal entity.
6. To nominate a lump-sum death beneficiary, a member must designate an eligible beneficiary on an ATRS approved form and sign the form.
7. To be effective, the completed lump-sum beneficiary form must be received by ATRS prior to the member's death.
8. A lump-sum beneficiary form, which is properly executed and filed with ATRS, supercedes all prior designations filed by the member for the lump-sum benefit.
9. If the member is eligible for the lump-sum death benefit at his or her death, the lump-sum benefit payment shall be made within a reasonable amount of time to the member's proper beneficiary upon receipt of a written application, acceptable proof of the beneficiary's identification, and proof of the member's death.
10. Lump-sum beneficiary forms signed by a member's agent (such as an attorney-in-fact under a power of attorney) will not be processed until the document appointing the agent is filed with and accepted by the System. The authorizing document must contain authorization for the agent related to retirement plan transactions or the change of beneficiaries in order to authorize the agent to change the member's lump-sum beneficiary(s).
11. ATRS will not accept a beneficiary form signed by a guardian of the member's estate or other court-appointed conservator without an accompanying court order authorizing the guardian's designation of beneficiary(s).
12. A lump-sum beneficiary may waive his or her rights to payment of the lump-sum benefit by submitting a waiver and relinquishment form acceptable to ATRS. Upon receipt of a valid waiver, ATRS will pay the remaining eligible beneficiary(s).

13. A lump-sum beneficiary may not assign payment of a lump-sum death benefit to another person or entity.
14. ATRS reserves the right to deduct from the lump-sum benefit any amounts owed to ATRS by the member under A.C.A. § 24-7-205.
15. ATRS reserves the right to collect any overpayments or other amounts owed to ATRS by the lump-sum beneficiary(s).
16. ATRS shall comply with all applicable laws relating to the distribution of the lump-sum benefit including federal and state tax laws and the Uniform Transfer to Minors Act.

Amended: June 15, 2004
 February 7, 2006
 April 26, 2007
 June 16, 2009 (Emergency)
 October 5, 2009 (Permanent)